hours, for example, either in 0.1 atm (10kPa) or higher but 10 atm (1MPa) or lower (room temperature conversion, hereinafter represented as 0.1 atm (l0kPa) to 10 atm (1MPa), with the same applying to ranges of other units indicated as from some value to some value) of $H_2$ gas or in an inactive or inert gas (excluding $N_2$ gas) having an $H_2$ partial pressure equivalent thereto, and then subjecting that to a de-$H_2$ treatment by holding it at 500°C to 900°C for 30 minutes to 8 hours under a 1 X 10-2 Torr (1.33Pa) $H_2$ partial pressure to yield such hydrogenation treated powder comprising a fine recrystallized aggregate structure having an average crystal particle size of 0.05 μm to 1 μm.--

Page 7, replace the paragraph starting at line 19 and ending at page 8, line 4 with the following paragraph. A marked-up copy of this paragraph, showing the changes made therein is attached.

--In the present invention, in the heat treatment in the water vapor pressure atmosphere, the water vapor pressure should preferably be 15 mmHg (2kPa) to 350 mmHg (45kPa). At a water vapor pressure of less than 15 mmHg (2kPa), the reaction to R(OH)3 is insufficient, and requires a long time, leading to high manufacturing costs, wherefore that is undesirable. When 350 mmHg (45kPa) is exceeded, on the other hand, the magnetic characteristics of the magnetic raw material powder decline greatly, wherefore that is not desirable. An even more preferable water vapor pressure range is 50 mmHg (6.5kPa) to 200 mmHg (26kPa).--

Page 15, replace the paragraphs starting at line 3 and ending at line 25 with the following paragraphs. A marked-up copy of these paragraphs, showing the changes made therein is attached.

--Coarsely pulverized powder was used, obtained by ingot pulverization, having an average particle size of 150 μm, and a composition consisting of 12.8 at.% R, 6.3 at.% B, 14.8 at.% Co, 0.25 at.% Ga, 0.09 at.% Zr and the remainder Fe. The coarsely pulverized powder was subjected to an $H_2$ occlusion treatment, holding it for 1.5 hours at 820°C in 1 atm (100kPa) (room temperature equivalent) of $H_2$ gas, then subjected to a de-$H_2$ treatment, holding it for 0.5 hour at 850°C in flow of Ar gas at a reduced pressure of 40 Torr (5332.9Pa) to yield a hydrogenation-treated powder having a fine recrystallized aggregate structure with an average crystal particle size of 0.4 μm. The $R_2O_3$ content in the hydrogenation-processed powder so obtained was 200 ppm and the $R(OH)_3$ content therein was 0.9 ppm.

Taking this hydrogenation-treated powder as magnet raw material powder, it was subjected to a heat treatment, holding it for 15 hours at a temperature of 70°C in an atmosphere having a water vapor pressure of 180 mmHg (23kPa) to yield a molding powder. The $R_2O_3$ content in the molding powder so obtained was 7 ppm and the $R(OH)_3$ content therein was 180 ppm.

Into the molding powder so obtained were mixed 3.5 wt.% of an epoxy resin, and that was then molded, under a molding pressure of 6 $T/cm^2$, in a magnetic field of 12 kOe (950kA/m), to dimensions of 10 mm X 10 mm X 10 mm, after which heating was performed for 60 minutes at a hardening temperature of 150°C, whereupon 50 bonded magnets were fabricated.--

Page 20, replace Table 2 with the following Table 2. A marked-up copy of this table showing the changes made therein is also attached.

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Table 2

| | Magnetic Characteristics | | | External Conditions (Number of Occurrences) | | | | Defect Ratio (%) |
|---|---|---|---|---|---|---|---|---|
| | Br (kG) (T) | iHc (kOe) k(A/m) | (BH)max (MGOe) (kJ/m3) | Red Rust | Crack flaws | Chip flaws | Swellings | |
| Example 2 | 8.2 0.82 | 11.8 939.28 | 15.0 119.4 | 0 | 0 | 0 | 2 | 4 |
| Example 3 | 8.2 0.82 | 11.8 939.28 | 15.0 119.4 | 0 | 0 | 0 | 1 | 2 |
| Example 4 | 8.2 0.82 | 11.9 947.24 | 15.0 119.4 | 0 | 0 | 0 | 0 | 0 |
| Comparative Example 2 | 8.1 0.81 | 11.7 931.32 | 14.7 117.012 | 30 | 0 | 0 | 0 | 60 |
| Comparative Example 3 | 8.2 0.82 | 11.9 947.24 | 15.1 120.196 | 0 | 7 | 5 | 28 | 80 |

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